

**Contract Improvement Process
Risk Assessment Subcommittee
Notes from October 4, 2006
And Risk Assessment and Categorization**

Attendees:

Clark Bolser
Ken Witt
Maggie Van Cleef
Kathy Young
Harry McCabe
Michelle Lee
Kathy Heese
Peter Van Ronk
Rod Wolthoff

Summary of Discussion Points:

- Should all contracts have a risk assessment?
- How do we clarify the meaning of “amendments that do not change the scope of the contract”?
- Move limitation of liability to one of the risk factors, not an automatic high risk
- Employees with expertise need to complete the risk assessment and address the risks identified
- Risk “analysis” for the project involves weighing the probability of the risk and the severity of the risk
- How do we integrate risk “analysis” with the factors listed in risk “assessment”?

Proposed Agenda for Next Meeting – Wednesday, October 11, 1 to 3 pm, Conf Rm 14A, 633 17th Street

- How can we (or should we) combine risk analysis with risk assessment factors
- What should be the risk assessment factors (see next page)
- How do we use the factors to determine high and low risk contracts
- What should executive summary include for high risk contracts

Categorization (no Risk Assessment needed):

- Low Risk:
 - Interagency agreements with standard dispute resolution clause
 - Waived contracts
 - Modification tools
 - Amendments that do not change the scope of the contract. Factors to consider:
 - Extend ending date by one year or less
 - Original contract was low risk
 - Passes Purchasing Review – no scope creep
 - Amendment is 7 years or less after original contract approved
 - Re-statement of amendments
 - Amendment does not add complexity to original contract or prior amendments
- High Risk:
 - Any change to special provisions
 - Construction financing
 - Contingency contracts defined by CRS 24-17-203
 - Energy Performance contracts 24-30-2000?
 - Lease Purchase
 - Change to Indemnity provision

Risk Assessment

- Completed for ALL contracts other than the categorization types above
- Completed by Program Staff. Agency could override the assessment of Program Staff
- Factors (if yes, then low risk or if low score, then low risk):
 - Dollar amount below:
 - Agencies with large contracts (\$500,000 to \$1 million)
 - All other agencies (\$100,000)
 - Contract uses standard State template language (Statewide wizard)
 - Clearly defined statement of work
 - Prior good experience with contractor – contract has been successfully performed in the past with no negative impacts
 - Complexity
 - Lack of future variables that will impact contract over which agency has no control
 - Program staff has performed risk analysis on the contract
 - Nature of contract is low risk – not involving IT services and software, operation of prisons, purchase of real estate, construction contracts, operating lease, limitation of liability of vendor, inherently dangerous activities, or hazardous materials
 - Other factors

- Agency would either:
 - Answer each question above with a Yes (low risk) or No (high risk), and then use judgment to categorize the contract
 - if all are Yes, then Low Risk,
 - if all are No then high risk
 - if a few are Yes and these are more important than the No's then Low Risk
 - Answer each question on a scale of 1 to 5 and then depending on the total score, categorize the contract as high or low risk
- For contracts identified as high risk:
 - Agency would complete an executive summary that outlines the risks and shows how agency addressed those risks
 - Agency could request AG/SCO involvement up front